



Memorandum

TO: DRIVING A STRONG
ECONOMY COMMITTEE

FROM: Paul Krutko, Jim Helmer,
Stephen Haase,
John Weis

SUBJECT: See Below

DATE: March 5, 2004

Approved

Date

SUBJECT: UPDATE ON THE PROPOSED AMENDMENT TO THE NORTH SAN JOSE AREA DEVELOPMENT POLICY

BACKGROUND

The Economic Development Strategy, adopted by City Council in December, 2003, included the “Revise Key Land Use and Transportation Policies to Reflect the New Realities of the San Jose Economy” as a strategic initiative. Listed as the key tactic under this initiative is a review and update of the North San Jose Area Development Policy. This effort was identified by participants who testified at the Getting Families Back to Work study session at City Council as a key work program item for the Economic and Neighborhood Development City Services Area in order to enable and facilitate development desired by the private sector in this area. The effort is also consistent with the Redevelopment Agency’s January 15 budget presentation that highlighted strategies to reinvest in tax increment areas and subsequently generate more jobs and tax increment.

The Rincon de Los Esteros (Rincon) Redevelopment Area is located within the boundaries of North San Jose Area Development Policy and contains many of its prime employment generating land uses. Currently the Rincon area contains more than 42 million square feet of prime research and development, office, industrial, and warehouse space housing more than 1,500 businesses that employ over 63,000 San Jose and Silicon Valley residents. Many of San Jose’s driving industry companies are located within the redevelopment area, including Agilent, BEA, Sun Microsystems, Altera, Cisco, Hitachi, eBay, Atmel, Sony, KLA Instruments, Hynix, Canon, Samsung and Cypress Semiconductors. The industrial lands within Rincon also support a large number of small companies that play an important role in the future development of the City’s economy. The Rincon area alone generated \$132 million in property tax increment in Fiscal Year 2002-03.

According to City development permit records, most of the headquarter campuses in Rincon were developed in the 1980’s and 1990’s. Regional and local planning and transportation policies resulted in typical Floor Area Ratios (FAR) between 30% and 50%. The average FAR in Rincon is .34. In 1998-2000, North San Jose real estate commanded sales prices ranging up to

\$210 per square foot and rents ranged from \$4-6 per square foot. Anecdotally, the real estate industry often indicates that North San Jose property is under utilized.

During the “Getting Families Back to Work” study sessions and at interviews conducted in the development of the Economic Development Strategy, several high-level driving industry CEO’s and real estate developers indicated their intention to use land within North San Jose more strategically. In the near future, companies will want more vertically dense campuses along transit corridors with adjacent supporting commercial uses. Both eBay and BEA Systems are already moving forward with significant development proposals at FAR densities of 1.0 or larger. Other technology companies located in the Innovation Triangle have expressed interest in pursuing development projects in this area with higher densities.

STATUS

Acting on the recommendations of the Economic Development Strategy, a multi-departmental team of the City and Redevelopment Agency has developed a plan to amend the North San Jose Area Development Policy by the end of 2004. The following information provides a report of staff activity to date on this effort.

Vision

Amending the North San Jose Area Development Policy is a critical project that will help secure San Jose’s economic vitality well into the future by recognizing and fostering the goals identified below. The goals of the City’s effort in amending the Area Development Policy are to:

- Grow North San Jose into the innovation capital of the world;
- Position San Jose for continued job creation over the next 25 years;
- Ensure the retention of existing headquarter companies by enabling more companies to maximize their workforce and real estate potential in San Jose;
- Facilitate new private investment;
- Provide for workplace serving retail and residential development in appropriate areas within the industrial park;
- Enhance Tax Increment and General Fund Revenue from the area; and
- Implement and maximize transportation improvements.

Objectives

The objectives of this effort are to create a denser corporate center while promoting livability. The key parameters to achieve this objective are as follows:

- Focus on North First Street;
- Add up to 20 million square feet of new workplace development;

- Encompass a 600 acre core area along the light rail.
- Create the capacity to house 68,000 new jobs;
- Raise average FAR in the area to 120%;
- Add 20,000-35,000 new residential units;
- Add significant transportation improvements; and
- Improve transit connections.

Outcomes

The work being done to amend the Area Development Policy will necessitate several additional work products to support this major planning effort. The results will provide significant value in terms of cost saving and decreased processing time for property owners and developers within the study area and are as follows:

- The creation of a new Area Development Policy that implements the vision and objectives for North San Jose;
- The implementation of new General Plan designations that allow more flexible uses and support high-density residential and commercial areas;
- The creation of new equitable funding mechanisms to fund necessary transportation improvements in partnership with the private sector;
- The development of a new flood policy to incorporate updated flood zone maps and to allow more intense coverage; and
- The preparation of a new Rincon Redevelopment Environmental Impact Report that will provide environmental clearance for public and private projects.

Consultant Assistance and Schedule

On March 9, 2004, the Redevelopment Agency Board approved the expenditure of \$200,000 for consultant work to commence the traffic and environmental aspects of the project. Hexagon Transportation Consultants will utilize the regional traffic model to analyze multiple land use scenarios and perform project level analysis. David Powers and Associates will be a sub-consultant to Hexagon and will complete the Environmental Impact Report (EIR) for the project. Work on the project has begun and staff hopes to complete the work required for adoption of the new Area Development Policy and accompanying General Plan Amendments by December 2004.

Costs

The anticipated costs for this endeavor total \$1,058,000 including:

- \$400,000 for traffic studies;

- \$200,000 for other environmental work; and
- \$458,000 for staff work.

Staff anticipates that the remaining \$858,000 not funded by the Agency will be borne by the property owners in the Study Area.

PUBLIC OUTREACH

The initial public outreach activity for this effort will focus on the primary property owners and tenants of properties located within the core of the study area. The Mayor and key City staff will be meeting to review the proposal with the largest property owners to determine their willingness to participate.

The project Environmental Impact Report (EIR) will include additional outreach activities for the general public, neighboring jurisdictions, interested public agencies and the affected property owners. General notification to the public and neighborhood groups will also be conducted through the fall General Plan amendment proceedings. The policy update is tentatively scheduled for public hearings at the end of the year.

COORDINATION

This interdisciplinary effort is being closely coordinated between the Office of Economic Development, Redevelopment Agency, the Department of Transportation, the Department of Public Works, and the Department of Planning, Building and Code Enforcement. The City Attorney's Office is also involved in the effort and reviewed this status report.

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